

## CHAPTER 10

★ ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS1001 INTRODUCTION

100101. Purpose. This chapter implements within the Department certain provisions of Title 31, United States Code (U.S.C.), relating to expired and closed accounts. The governmentwide amendments to Title 31 are contained in Title XIV of the National Defense Authorization Act for fiscal year (FY) 1991 (Public Law 101-510, dated November 5, 1990).

100102. Terminology. Terms associated with accounting for expired and closed accounts are included in the definitions section (Appendix C) to this chapter.

1002 POLICY AND PROCEDURES100201. Implementation of Permanent Provisions

A. For 5 years after the time an appropriation expires for incurring new obligations, both the obligated and unobligated balances of that appropriation shall be available for adjusting and liquidating obligations properly chargeable to that account.

B. Certain appropriations are available for obligation for a specific period, i.e., annual and multi-year appropriations. Both the obligated and unobligated balances of such appropriations shall be canceled, and will no longer be available for obligation or expenditure for any purpose, on September 30th of the fifth fiscal year after the expiration of an appropriation's period of availability for incurring new obligations (31 U.S.C. 1553(a)).

C. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations shall be canceled when (1) no disbursements have been made from the indefinite appropriation for a period of 2 years and (2) the President, the Secretary of Defense or the Secretary's designee determines the purposes for which the appropriation was made have been carried out (31 U.S.C. 1555).

D. Before an account closes, the affected DoD Component shall identify valid unliquidated obligations subject to cancellation to determine if (1) appropriations are available for future adjustments or payments against such obligations, or (2) other provisions for adequate resources have been made to pay for such obligations that will cancel with an account.

E. In some instances, following cancellation of an appropriation, it becomes necessary to adjust an obligation that otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before cancellation. Should such an adjustment become necessary, the obligation shall be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in paragraph 100201.F, below.

F. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation, the total of all such payments from that current appropriation may not exceed the lesser of:

1. The unexpended balance of the canceled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of cancellation, adjusted for obligations and payments which are incurred or made subsequent to cancellation, and which would otherwise have been properly charged to the appropriation except for the cancellation of the appropriation); or

2. The unexpired unobligated balance of the currently available appropriation; or

3. One percent of the total original amount appropriated to the current appropriation being charged.

a. For annual accounts, the 1 percent limitation is of the annual appropriation for the applicable account--not total budgetary resources (e.g., reimbursable authority).

b. For multi-year accounts, the 1 percent limitation applies to the total amount of the appropriation. As an example, if a multi-year account enacted for FY 1992 through FY 1994 is \$100 million, then the 1 percent limitation in FY 1992 would be \$1 million. If, at the end of FY 1992, \$650,000 had been used for payment of obligations of closed accounts, then the amount available to be used for such payments in FY 1993 would be \$350,000 (\$1,000,000 minus \$650,000).

c. For contract changes (as specified in paragraph 100202, below), charges made to currently available appropriations shall have no impact on the 1 percent limitation rule. That is, the 1 percent (of the currently available appropriation) amount shall not be decreased by the charges made to current appropriations for contract changes.

G. In order to prevent overpayments and ensure that applicable limitations are not exceeded, DoD Components shall:

1. Identify the unobligated balance and unpaid obligations of all expired appropriations at the time they expire.

2. Identify the unobligated balance and unpaid obligations of all canceled appropriations at the time they are canceled.

3. Identify to closed accounts all obligations and payments charged to currently available appropriations that otherwise would have been properly chargeable (both as to

purpose and amount) to a canceled appropriation (as provided for in subparagraph 100201.F, above).

4. Maintain identification of the amount for which it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation. This amount is determined by subtracting, from the unexpended balance of the appropriation at the time it was canceled, all subsequent obligations and payments made as indicated in subparagraph 100201.G.3, above.

5. Maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to closed accounts. General ledger controls shall be perpetuated until all obligations are paid and accounts receivable collected. (This will ensure that valid liabilities continue to be tracked until satisfied, even though the accounts are closed.)

100202. Implementation of Contract Change Provisions Within the Department of Defense

A. Public Law 101-510 defines a “contract change” as a change under which a contractor is required to perform additional work. Paragraphs 100204 and 100205, below, contain procedures for requesting approval of certain obligation adjustments for contract changes.

B. Obligation adjustments, such as incentive or award fees and price inflation (escalation or economic price adjustments), are not considered contract changes for purposes of subparagraph 100202.A, above. To the extent otherwise appropriate, such amounts may be charged to applicable accounts that otherwise have expired for incurring new obligation (but have not yet been closed). Such charges or adjustments shall be supported by comprehensive written documentation containing a statement that the charges do not require, involve, or result in additional work or changes in scope. This statement shall explain the circumstances, contingencies, or management practices that necessitated the adjustment.

C. Title 10, U.S.C., section 7313(b), and applicable appropriation language, permit expired appropriations available to the Department to be used for new obligations of appropriations for specific purposes. Those purposes include payment to a Working Capital Fund activity; payment to a contractor for unusual cost overruns; and changes in the scope of work for ship overhaul, maintenance and repair.

1. While expired appropriations may be used in certain instances for new obligations, these appropriations are not available beyond the end of the fifth fiscal year following their expiration.

2. The DoD appropriations--primarily Operation and Maintenance, Navy appropriations as covered by 10 U.S.C. 7313(b)--expire and are canceled at the same time as other appropriations. These appropriations shall not be available for the payment of changes in

the scope of work for ship overhaul, maintenance, and repair beyond the end of the fifth fiscal year following the expiration of such appropriations for other purposes.

100203. Shipbuilding and Conversion (SCN), Navy Appropriation

A. The period of availability to incur obligations in the SCN appropriation for all purposes normally is 5 years. For limited purposes, however, SCN funds are available for obligation after the 5-year period has ended. Appropriation language for the SCN appropriation often contains a provision to the effect that additional obligations for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction may be incurred after the appropriation otherwise would expire for obligation. This additional period allowed for incurring new obligations for such purposes is called “extended availability.”

B. The Department of Defense and the Department of the Treasury employ special procedures to establish extended availability authority for the SCN appropriations because not all work required to induct a ship into the fleet can be completed within the first 5 years of availability of an SCN appropriation. The procedures are summarized as follows:

1. The fiscal year of the latest obligation work limiting date (OWLD) for the last vessel financed by a particular SCN appropriation will represent the period of availability for obligation. After such date, the appropriation enters an expired status for 5 years and the balances are available only for obligation adjustments and payments.

2. An SCN appropriation is canceled on September 30 of the fifth year following the year of the last OWLD. Before the end of each fiscal year, the Department of Defense notifies the Department of the Treasury of the last OWLD for the SCN appropriation that will be expiring on September 30 of that fiscal year. By the ninth workday of November of each year, the unobligated and obligated balances of that SCN appropriation are transferred by an Standard Form (SF) 1151, “Non-Expenditure Transfer Authorization” to a new Treasury fiscal year symbol.

For example, on September 18, 1995, the Navy notified the Department of the Treasury that the last OWLD for the FY 1991/1995 SCN appropriation was September 30, 2001. Before November 14, 1995, the balances of that SCN appropriation were transferred to the FY 1991/2001 SCN appropriation with a cancellation date 5 years later--September 30, 2006.

C. The obligated and unobligated balances of the merged SCN account are not available for adjusting and disbursing purposes after September 30, 1993.

100204. Obligation Adjustments for a Contract Change in Excess of \$4 Million. An obligation adjustment for a contract change under which a contractor is required to perform additional work, may be incurred only if that obligation adjustment has been approved by the Under Secretary of Defense (Comptroller) (USD(C)), as designee of the Secretary of Defense.

Approval shall be sought when the amount of the obligation would cause the total amount of charges in any fiscal year for a single program, project, or activity to exceed \$4 million and the account being used to fund such obligations no longer is available for new obligation.

- A. Requests for approval, if necessary, shall be submitted by the applicable DoD Component to the Office of Deputy Comptroller (Program/Budget) (ODC(P/B)).
- B. Requests for approval shall include the following documentation:
  - 1. The amount to be obligated,
  - 2. The purpose for which the funds are to be obligated, and
  - 3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices which caused the need for the adjustment.
- C. Components shall retain supporting documentation for future reference.

100205. Obligation Adjustments for a Contract Change of \$25 Million or More. Special handling is required to process any obligation adjustment to an expired appropriation for a contract change, under which a contractor is required to perform additional work, for amounts in any fiscal year of \$25 million or more. Such adjustments may be made only after the USD(C), as designee of the Secretary of Defense, submits a notice of intention to make the obligation--along with the legal basis and policy reasons for the obligation--to the Armed Services and Appropriation Committees of the Senate and the House of Representatives.

- A. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded (unless any cognizant congressional committee notifies the USD(C) of its disapproval).
- B. Such charges or adjustments shall be supported by a written comprehensive statement concerning the reason for the adjustment. This statement should explain the circumstances, contingencies, or management practices which caused the need for the adjustment.
- C. When notification to the Congress is necessary, the applicable DoD Component shall submit to the ODC(P/B) the required documentation (including letters to the appropriate congressional committees for the USD(C) signature).

100206. Reprocurements. Expired funds also may be used to fund a replacement action--a replacement contract--under certain conditions. When a reprocurement action will result in a replacement contract, it may be funded from expired funds if all of the conditions in subparagraphs 100206.A-D, below, are met. (If all of the conditions cannot be met, current year funds shall be used to fund the requested action.)

A. The DoD Component has a continuing bonafide need for the goods or services involved.

B. The original contract was made in good faith.

C. The original contract was terminated for default or for the convenience of the government. If the original contract was terminated for the convenience of the government, then the termination shall have been the result of a:

1. Court order;

2. Determination by a contracting officer that the contract award was improper due to explicit evidence that the award was erroneous and when the determination is documented with appropriate findings of fact and of law; or

3. Determination by other competent authority (e.g., a Board of Contract Appeals) that the contract award was improper.

D. A reprourement contract is used to obtain the goods or services that originally had been ordered under another contract that was terminated either for default or convenience of the government. The replacement contract is:

1. Substantially of the same size and scope as the original contract; and

2. Executed without undue delay after the original contract is terminated.

E. If a reprourement action will result in an obligation that exceeds \$4 million, the action first shall be submitted to the USD(C) for approval.

F. If a reprourement action will result in an obligation that exceeds \$25 million, a notice of intention (as discussed in paragraph 100205, above), shall be submitted to the cognizant congressional committees at least 30 days in advance. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless one of the cognizant congressional committees notifies the USD(C) of its disapproval.

**100207. Obligation Adjustments or Payments from Current Appropriations for Closed Accounts**

A. When making payments from a current appropriation account for obligations of a closed account, DoD Components shall request a “subclass” account from the Department of the Treasury. Requests for subclass accounts shall be submitted in writing to the Treasury Department, through the Defense Finance and Accounting Service, and include the purpose for the payment. The address to which requests should be sent is listed in Treasury

Bulletin No. 91-03. These subclass accounts shall be used to record applicable payments on the books of the Treasury Department. Such payments shall be reported monthly on each Component's Statement of Transactions.

B. Amounts for obligations that otherwise would have been properly chargeable to a closed account, but are required to be charged to current accounts, shall be recorded only in the current account when payment is imminent during the current fiscal year. Therefore, amounts for such obligations shall not be reported on the year-end Financial Management Service (FMS) Form 2108, "Year-End Closing Statement" unless payment has been made. If at year-end, however, such amounts for obligations are known to be payable in the coming fiscal year, that information should be footnoted on the year-end FMS Form 2108.

C. Current year obligation adjustments required due to canceled balances shall be entered as negative amounts against specific applicable line items in column k of DD Form 1416, "Report of Programs." If these adjustments cause the line item to exceed current year reprogramming thresholds, the amount in column k shall be footnoted to indicate that the amount is "applicable to closed account adjustments." No reprogramming action is required. In addition, the total of all closed account adjustments charged to the applicable appropriation shall be entered in column k as a separate line item titled "Reduction to Finance Closed Account Adjustments." This amount shall be shown as a positive number.

100208. Use of Current Year Funds When Sufficient Obligational Authority Does Not Exist in a Expired Appropriations. Section 1004 of the National Defense Authorization Act for FY 1993 permits current year funds to be used when sufficient obligational authority does not exist in expired appropriations for fiscal years before 1992 whose availability for new obligations expired at the end of FY 1985 through FY 1992, and which are not canceled. That authority contains the following restrictions:

A. The amount charged to a current account may not exceed an amount equal to 1 percent of the total amount of the current appropriation being charged, or 1 percent of the total amount of the appropriation of the expired account, whichever is less. (The 1 percent limitation under section 1004 is in addition to the 1 percent limitation under Public Law 101-510 (see subparagraph 100201.F, above) that applies to charges that can be made to a current account when the account that should have been charged has been closed.)

B. The appropriate expired account shall be charged for obligations that are properly chargeable to an expired account whenever sufficient resources exist to fund the obligation in the applicable expired account. There should be no charges against a current account if there is a sufficient balance remaining in an expired account.

C. Obligations that otherwise would be properly chargeable to an expired account, except that insufficient resources exist in the expired account to fund the applicable obligation, shall not be charged against a current account unless all of the following conditions have been met:

1. The obligation is charged to an appropriation available for the same purpose as the applicable expired account and is otherwise properly chargeable (except as to amount) to the applicable expired account before closure of the expired account.

2. The Assistant Secretary of a Military Department for Financial Management and Comptroller or the Comptroller of a Defense Agency has determined that sufficient obligational authority does not exist in the applicable expired account to fund the applicable obligation.

3. The obligation is not otherwise properly chargeable to any DoD current appropriation.

4. The USD(C) has approved the charge to the applicable appropriation and notified the Congress of the proposed obligation, and 30 days have elapsed.

D. The Department must notify the Congress 30 days in advance of incurring such obligations. Therefore, DoD Components shall prepare, and submit to the USD(C) for subsequent transmittal to the Congress, notification of any proposed obligations against a current account for obligations that otherwise would be properly chargeable (except as to amount) to an expired account, except that insufficient resources exist to fund the obligation in the applicable expired account. As a minimum, such notifications shall:

1. Identify the amount to be charged,
2. Identify the purpose for which the funds are to be obligated, and
3. Include a summary of all relevant facts justifying the proposed obligation.

E. Within 60 days after the date of a request to charge an obligation is submitted to the Congress, DoD Components shall submit a report to the USD(C), for subsequent transmission to the Congress and the President, identifying the status of an investigation of an Antideficiency Act violation when:

1. An obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account.

2. Insufficient resources exist to fund the obligation in the applicable expired account.

100209. Crediting of Collections After an Account is Closed

A. Valid accounts receivable shall not be written off as a result of cancellations of appropriations with negative unliquidated obligations. Proprietary accounts must be maintained until settled by the debtor.

B. When collections that are authorized or required to be credited to an account are received after the closure of an account, those collections should be deposited in the departmental receipt account 3200, Collection of Receivables from Closed Accounts. Accounting entries for crediting of collections after an account is closed are contained in Appendix A.

100210. Exceptions to Periods of Availability of Accounts for Adjusting and Liquidating Obligations

A. Requirements applicable to the cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing of accounts and may fix the period for which an appropriation remains available for expenditure (31 U.S.C. 1557). Additionally, an appropriations act applies only to the appropriation for a specific fiscal year. In order to preclude application to an appropriation of the limitations on expenditure provided in the new provisions of Title 31, the statute must:

1. Identify the appropriation account for which the availability for expenditure is to be extended.
2. Provide that the appropriation account shall be available for adjusting and liquidating obligations properly chargeable to the account, and
3. Extend the availability for expenditure of the obligated balances.

B. The availability for expenditure of specific accounts may be changed only through specific legislation. This authority shall be requested only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the 1 percent limitation or would severely impact the current program.

1. When the nature of a DoD Component's program requires disbursements beyond the 5-year period, the DoD Component shall submit proposed changes in appropriation language to the ODC(P/B). The ODC(P/B) shall submit the proposed changes to the Office of Management and Budget for approval.

2. Absent specific authority, DoD Components, through the ODC(P/B), may seek reappropriations of canceled balances and defer payment until the appropriation is available. The receipt of a reappropriation shall be treated as adding new budget authority.

100211. Antideficiency Act Violations. The DoD Components are required to investigate and report violations of the Antideficiency Act when certain limitations are exceeded in Public Law 101-510 and section 1004 of Public Law 102-484, as well as specific provisions in a number of sections of Title 31 of the U.S.C. Explicit guidance is provided in Volume 14 of this Regulation.

100212. Control, Reporting, and Certification Requirements. Title 31, U.S.C., sections 1554 and 1556, as amended, contain permanent audit, control and reporting requirements pertaining to the liquidation of obligations.

A. Control Requirements

1. Section 1554(a) stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation shall continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. Thus, if an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose, then that limitation shall continue to apply during the 5-year period following the period of availability for obligation of that appropriation. Additionally, the limitation will continue after the appropriation has been canceled.

2. The DoD Components shall establish internal controls to ensure that an adequate review of obligated balances is performed to support the certification.

3. Proper general ledger controls shall be maintained for canceled valid unpaid obligations and accounts receivable in closed accounts. Although balances in unexpired accounts may be used to fund canceled obligations, canceled obligated balances shall not be posted to unexpired accounts solely because the purposes may be related. Canceled obligations shall be posted to unexpired accounts only when a disbursement will be paid during the current year.

B. Reporting and Certification Requirements. Under the provisions of 31 U.S.C. 1554, the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, canceled balances and adjustments made to appropriation accounts during the preceding fiscal year.

1. Due Date. This report is due not later than 15 days after the President submits his budget to the Congress. The first report was due in 1992 for FY 1991 balances and transactions.

2. Distribution Requirements. A copy of the report is required to be submitted to the Speaker of the House of Representatives and to the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

3. Contents. Section 1554(b) requires that these reports shall contain:

a. An itemization of related appropriation accounts, identified by fiscal year and the balances identified in each account. This itemization is reported on the fiscal year-end FMS Form 2108.

b. A listing of each current and expired appropriation. This list is included in the fiscal year-end FMS Form 2108.

c. Identification of payments made from each currently applicable appropriation account with respect to those amounts that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed (31 U.S.C. 1553). These payments are reported on the DoD Component's Statement of Transactions.

d. Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed. These amounts are reported on the fiscal year-end FMS Form 2108.

e. Identification of all balances canceled on September 30th of the fifth year following the expiration of an appropriation account's availability for incurring new obligations (31 U.S.C. 1552(a)). These balances are reported on the fiscal year-end FMS Form 2108.

f. Identification of those appropriation accounts available for an indefinite period that have been closed because (a) no disbursements have been made from the account for a period of 2 years and (b) the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. 1555).

g. A certification by the DoD Components that the obligated balances in each appropriation account of the Department reflect properly existing obligations and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

100213. Other Procedures. The following paragraphs provide detailed information about other review, accounting, and correction procedures regarding current and expired accounts.

A. Apportionment Procedures. The apportionment schedules (DD Form 1105) will reflect the following footnote: "Up to one percent of the original amount of the appropriation (\$xxx.xx), or the unobligated balance, whichever is less, may be utilized for the purpose of obligation adjustments and payments, which would otherwise have been properly

chargeable (both to purpose and amount) to a canceled appropriation.” To the extent that supplemental appropriations are enacted, reapportionment of the initial “1 percent” amount may be requested.

B. Unliquidated Obligations. The DoD Components shall review remaining unliquidated balances in expired accounts, and prior to cancellation, deobligate all amounts not supported by documentary evidence.

C. Payments After Cancellation of Appropriations. Amounts presented for payment that cite appropriations that have been canceled (appropriations beyond the end of the fifth year following the expiration of their availability for incurring new obligations) shall not be paid until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

D. Unmatched Disbursements for Closed Accounts. When a disbursement is made properly before the cancellation of the appropriation to which an obligation was charged, but is not identified and matched with the proper obligation until after the cancellation of the appropriation, that disbursement shall be charged to the canceled appropriation. Appropriate corrections to accounting records and reports shall be made as necessary. See subparagraph 100212.J, below, if an error is discovered in a closed account for a disbursement made prior to the closure of that account.

E. Negative Unliquidated Obligations. Negative unliquidated obligation balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions which should be researched and corrected as quickly as possible. For additional guidance regarding negative unliquidated obligations, see Chapter 11 of this Volume.

F. Line Item Detail. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail should facilitate cost determinations and program assessment and evaluation, while maintaining an appropriate level of visibility over expired accounts, providing an appropriate audit trail, and meeting the objectives of the closing accounts legislation.

G. Uncollectible Accounts Receivable. Appendix A contains appropriate entries to account for uncollectible accounts receivable in closed accounts. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary accounts. Such write-offs, however, would result in a reclassification, to a direct program obligation, of an obligation previously incurred.

H. Closing an Account with a Negative Balance. The existence of a negative balance does not preclude an account from being closed. Such accounts should be closed in accordance with applicable valid requirements, with a receivable established for the amount of the negative balance.

1. Informational accounting reports (i.e., FMS 2108, SF 133, and SF 220-9) shall continue to be submitted for the applicable account until the negative balance is resolved. As appropriate, these informational reports shall (a) indicate that the account is closed, (b) show the amount of the negative balance at the time the account was closed, and (c) show the current amount of the applicable receivable.

2. A negative balance may be liquidated by receiving offsetting collections. Collections of overpayments shall be deposited to Treasury account 3200. An account with a negative balance may indicate that a violation of the Antideficiency Act has occurred. Upon identification, a formal investigation immediately should be initiated. Additional information on Antideficiency Act violations may be found in Volume 14 of this Regulation.

I. Accounting for Uncollectible Accounts Receivable in Closed Accounts. Budgetary accounts corresponding to accounts receivable shall be closed when an account is closed. Total obligations within budgetary accounts should not change when the budgetary accounts are closed. The write-off of an uncollectible reimbursement receivable would result in a reclassification, to a direct program obligation, of an obligation previously incurred under the reimbursable program.

1. For refunds receivable, budgetary accounts established to track the status of obligational authority (i.e., undelivered orders, unpaid accrued expenditures and refunds due) shall not be closed since their continued identity is necessary to assure that cumulative payments, even though paid from a current account, do not exceed the original appropriation of the closed account.

2. Propriety accounts established for accounts receivable and refunds receivable applicable to closed accounts shall be reclassified as Accounts Receivable--Closed. The subsequent collections of such amounts for this account shall be deposited to the Treasury Miscellaneous Receipts Account.

3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, the account shall be written off by charging a bad debt account. The write-off of an uncollectible account or refund receivable applicable to the reimbursable program should result in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program.

J. Correction of Reporting Errors in Expired Accounts. Treasury Bulletin 94-04, "Account Closing Provisions of the FY 1991 National Defense Authorization Act," contains procedures for requesting a correction to an expired account that is now closed.

1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority and (b) errors made in classifying a payment made prior to the closing of an account, but not discovered until after the account was closed.

a. For clerical errors, the request shall include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

b. For classification errors, the Treasury Department shall accept reporting to (1) correctly classify payments previously reported to suspense/clearing accounts or (2) correct classification errors between current and closed accounts, when submitted by the deadline below.

2. Requests for the correction of errors shall be received by the Treasury Department by March 31 of the year after the account in question was closed. For example, if an expired account was closed in FY 1996, a request for any corrections to that account shall be received by the Treasury Department before March 31, 1997.

a. Requests for correction of a clerical error shall be sent to the following address:

Finance Management Branch  
Financial Management Service  
Department of the Treasury  
Liberty Center (UCP 723)  
Washington, DC 20227

b. Requests for reporting to be allowed against a closed account shall be submitted, along with a hardcopy Statement of Transactions report, to the following address:

Budget Reports Branch  
Financial Management Service  
Department of the Treasury  
Liberty Center (UCP 749)  
Washington, DC 20227

3. If a request for the correction of errors affects another DoD Component, then the request shall be coordinated with the affected DoD Component and submitted to the Defense Finance and Accounting Service (DFAS), Deputy Director for Accounting, 1931 Jefferson Davis Highway, Arlington, VA 22240-5291. The DFAS shall submit the requests to the Treasury Department after completion of its review.

4. Comptroller General Decision B-251287.3, dated November 1, 1995, stated support for Treasury Department adjustment of DoD canceled appropriation account balances, without regard to administratively established timeframes (contained in Treasury Bulletin 94-04, which is discussed above), to reflect disbursements made before closure of the

accounts. The Comptroller General decision requires that any adjustment made by the Department of Defense be supported by documentary evidence and be able to withstand audit scrutiny. To implement this decision, the USD(C) had issued procedures on June 30, 1995, mandating the research and correction of unmatched disbursements and negative unliquidated obligation transactions and processing the resulting adjustments to the Treasury Department. For further information, see chapter 11 of this volume.

100214. Processing Invoices Involving Canceled Fiscal Year Funds. Appendix B, “Questions and Answers Pertaining to Processing Invoices from Canceled Fiscal Year Funds,” includes detailed procedures for processing such invoices.